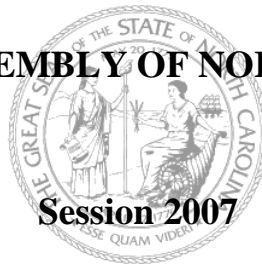


# GENERAL ASSEMBLY OF NORTH CAROLINA



## **FISCAL ANALYSIS MEMORANDUM**

[This confidential fiscal memorandum is a fiscal analysis of a draft bill, amendment, committee substitute, or conference committee report that has not been formally introduced or adopted on the chamber floor or in committee. **This is not an official fiscal note.** If upon introduction of the bill you determine that a formal fiscal note is needed, please make a fiscal note request to the Fiscal Research Division, and one will be provided under the rules of the House and the Senate.]

**DATE:** April 18, 2008

**TO:** Revenue Laws Study Committee

**FROM:** Rodney Bizzell  
Fiscal Research Division

**RE:** 2007-MCxz-196 v.6

### **FISCAL IMPACT**

Yes (x)

No ( )

No Estimate Available ( )

**FY 2008-09**

**FY 2009-10**

**FY 2010-11**

**FY 2011-12**

**FY 2012-13**

#### **REVENUES:**

**General Fund**

**\*No General Fund Impact\***

**Local Governments**

**\*\$2.5 - \$5 million gain from mobile home lien changes\***

#### **EXPENDITURES:**

**Local Governments** **\*Some local governments will experience increased costs associated with a more frequent revaluation process. The amount per county will differ and the total cost is not known.\***

**PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:** NC Local Governments;  
NC Department of Revenue

**EFFECTIVE DATE:** Part I (Quadrennial Revaluation) is effective July 1, 2011; Part II (mobile home liens) is effective for taxes imposed for taxable years beginning on or after July 1, 2009.

**BILL SUMMARY:**

This legislative proposal would change the current, staggered octennial schedule for general reappraisals to a staggered quadrennial schedule, would eliminate horizontal readjustments, would treat mobile home liens the same as tax liens on other homes, and would make necessary conforming changes.

**ASSUMPTIONS AND METHODOLOGY:****Quadrennial Revaluation Schedule**

Under current law, counties are required to reappraise real property at least once every eight years in a staggered cycle. The law provides for advancing the octennial schedule so as to allow counties to adopt a shorter cycle of, e.g., four or six years. Counties are also permitted the option of horizontal adjustments in the fourth year of the cycle, in which the county reviews the appraised values of real property and compares it to the current true value to determine whether an adjustment is needed.

This bill would require counties to reappraise real property at least every four years in a staggered system. This new quadrennial system would be the default cycle; however, counties would retain their current option of advancing the schedule so as to allow adoption of a shorter cycle. Horizontal adjustments, by way of contrast, would be eliminated under Section 1.4 of the proposal, based on the practical consideration that it is not utilized by the counties. The initial schedule of quadrennial revaluations would begin in 2011, and placement of the counties in the initial schedule was a product of a study conducted by the Department to determine (i) what year would best accommodate each county's currently projected cycle and next general reappraisal and (ii) how to, as far as practicable, split the 100 counties into four equal groups.

The revaluation process allows counties to levy the property tax on property values that more closely reflect current market values. The process does not have any revenue impact to the extent that local governments convert to a revenue neutral tax rate following the revaluation.

Under current law, anyone other than a manufacturer, retailer, or licensed carrier of mobile homes, must obtain a permit from the county tax collector before moving a mobile home.

**Mobile Home Liens**

Under current law, anyone other than a manufacturer, retailer, or licensed carrier of mobile homes, must obtain a permit from the county tax collector before moving a mobile home.

If a holder of a lien is repossessing a mobile home, the lienholder must apply for the permit and inform the tax collector of the location to which the home is to be taken. If the lienholder is a North Carolina resident, the taxes must be paid within seven days of issuance of the permit. Nonresident lienholders must pay the taxes at the time of application for a permit.

Counties have encountered frequent situations where a mobile home has been repossessed and sold on site or where the mobile home is sold and moved without a permit issued by the county tax collector. Often tax collectors are not aware of the sales until after they are completed and the former owner has disappeared. Once the mobile home is transferred to a new owner for value, the

county's ability to collect taxes due by levy and sale expires. The county tax collector has no recourse against the present owner if the mobile home is listed as personal property. The county could garnish the former owner's wages, but usually the whereabouts of the former owner are unknown.

This bill would remedy the above problem by providing that a tax lien attaches to a mobile home listed as personal property and to all real property of the taxpayer in the taxing unit on the date the mobile home is listed (January 1). Once the lien has attached, its priority is not affected by transfer of title, by death, or by receivership of the property owner. In other words, the delinquent taxes follow the mobile home, and a subsequent buyer is liable for the unpaid taxes.

According to the NC Tax Collectors Association, the current tax collection rate for manufactured homes is approximately 85% and the improving the rate to 96% would generate approximately \$2.5 million in additional revenue. The total revenue gain would be higher because this figure does not include municipalities.

**SOURCES OF DATA:** NC Department of Revenue; NC Tax Collectors Association

**TECHNICAL CONSIDERATIONS:** None